

AMENDED IN ASSEMBLY MAY 15, 2003

AMENDED IN ASSEMBLY APRIL 24, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1527

Introduced by Assembly Member Frommer
(Coauthors: Assembly Members Chan, Koretz, and Salinas)

February 21, 2003

An act to amend Section 12693.25 of, to add Part 6.6 (commencing with Section 12739.10) to Division 2 of, and to repeal and add Section 12693.27 of, the Insurance Code, and to amend Section 14124.91 of the Welfare and Institutions Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 1527, as amended, Frommer. Health care coverage.

Under existing law, a small employer, as defined, may participate on a voluntary basis in a program to provide health care coverage to its employees. Under existing law, the Medi-Cal program provides health care benefits to eligible beneficiaries. Under existing law, the State Department of Health Services is required, if cost-effective, to pay the premium for 3rd-party health coverage provided to those beneficiaries.

This bill would require an employer with 51 or more employees to provide health care coverage to its employees and their dependents, unless the employer pays to the Employment Development Department an unspecified percentage of its total payroll cost. The payments received would be deposited into the California Health Insurance Fund that would be created by the bill. The bill would also create the California Health Insurance Pool and would make the Managed Risk

Medical Insurance Board responsible for operating the pool. The bill would require the pool to provide health care coverage to the employees and their dependents of employers who make payments to the department.

This bill would require the State Department of Health Services to provide specified premium assistance for health care coverage to Medi-Cal program beneficiaries and Healthy Families subscribers with employer-based health care coverage, including coverage provided through the pool.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 12693.25 of the Insurance Code is
2 amended to read:

3 12693.25. The board may use a purchasing pool model,
4 premium assistance program, supplemental coverage, or other
5 means as appropriate to meet the purposes of this part.

6 SEC. 2. Section 12693.27 of the Insurance Code is repealed.

7 SEC. 3. Section 12693.27 is added to the Insurance Code, to
8 read:

9 12693.27. (a) The board shall develop a Healthy Families
10 premium assistance program as permitted under federal law to
11 reduce state costs and maximize federal financial participation by
12 providing health care coverage to eligible individuals through a
13 combination of available employer-based coverage and a
14 wraparound benefit that covers any gap between the
15 employer-based coverage and the benefits required by this part.

16 (b) The board shall do all of the following in implementing the
17 premium assistance program:

18 (1) Require eligible individuals with access to employer-based
19 coverage to enroll themselves or their family or both in the
20 available employer-based coverage if the board finds it
21 cost-effective to do so.

22 (2) Promptly reimburse an eligible individual for his or her
23 share of premium cost under the employer-based coverage, minus
24 any contribution that an individual would be required to pay
25 pursuant to Section 12693.43.



1 (c) For purposes of this section, “employer-based coverage”
2 includes coverage available to an individual through the California
3 Health Insurance Pool.

4 SEC. 4. Part 6.6 (commencing with Section 12739.10) is
5 added to Division 2 of the Insurance Code, to read:

6
7 PART 6.6. CALIFORNIA HEALTH INSURANCE ACT

8
9 CHAPTER 1. GENERAL PROVISIONS

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11 12739.10. This part shall be known and may be cited as the
12 California Health Insurance Act.

13 12739.11. It is the intent of the Legislature that all
14 Californians have a secure source of health care coverage for
15 themselves and their families. It is the further intent of the
16 Legislature that the current employer-based system of health care
17 coverage be expanded and that the state provide *assistance to*
18 *employers that reduces their cost of providing coverage and that*
19 *the state also provide* premium assistance to individuals eligible
20 for the Medi-Cal program or the Healthy Families Program so that
21 those individuals can be enrolled in an employer-based,
22 affordable, secure health care coverage.

23 12739.12. For the purposes of this part, the following
24 definitions apply:

25 (a) “Board” means the Managed Risk Medical Insurance
26 Board.

27 (b) “Pool” means the California Health Insurance Pool.

28
29 CHAPTER 2. HEALTH CARE COVERAGE REQUIREMENTS

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31 12739.20. (a) Except as provided in subdivision (b), an
32 employer with 51 or more employees shall provide health care
33 coverage to its employees and their dependents and pay at least 80
34 percent of the premium cost for that coverage. This coverage shall
35 include the benefits that a health care service plan is required to
36 provide pursuant to Chapter 2.2 (commencing with Section 1340)
37 of Division 2 of the Health and Safety Code, and shall also include
38 coverage of basic prescription drugs.

39 (b) An employer with 51 or more employees shall not be
40 required to provide the coverage specified in subdivision (a) if the

1 employer pays a fee to the Employment Development Department
2 in the amount of ____ percent of its total payroll cost. These fees
3 shall be deposited into the California Health Insurance Fund,
4 which is hereby created.

5
6 CHAPTER 3. CALIFORNIA HEALTH INSURANCE POOL
7

8 12739.30. There is hereby created the California Health
9 Insurance Pool. The pool shall be operated by the board and shall
10 provide health care coverage to the employees and their
11 dependents of employers who pay a fee pursuant to subdivision (b)
12 of Section 12739.20.

13 12739.31. The board shall negotiate separate contracts with
14 participating health plans for a benefit package that includes the
15 benefits a health care service plan is required to provide pursuant
16 to Chapter 2.2 (commencing with Section 1340) of Division 2 of
17 the Health and Safety Code and that also includes coverage of
18 basic prescription drugs.

19 12739.32. (a) The board may charge an employee described
20 in Section 12739.30 up to 20 percent of the premium cost and shall
21 establish the required deductible or copayment amounts for
22 specific benefits, including the total annual copayment.

23 (b) There shall be no out-of-pocket costs other than
24 copayments and deductibles in accordance with this section.

25 (c) No participating health plan shall include in its contract
26 provisions a preexisting condition exclusion.

27 (d) No participating health plan shall exclude an employee
28 described in Section 12739.30 on the basis of an actual or
29 anticipated health condition or claims experience of that employee
30 or a member of his or her family.

31 (e) There shall be no variations in rates charged to an employee
32 described in Section 12739.30, including premiums and
33 copayments, on the basis of an actual or anticipated health
34 condition or claims experience of the employee or a member of his
35 or her family.

36 12739.33. The board shall include in the application for
37 enrollment in the pool a notice of eligibility for premium
38 assistance and additional benefits through the Medi-Cal or Healthy
39 Families Program. The board shall, in cooperation with the State
40 Department of Health Services, develop a process for providing

1 premium assistance and wraparound coverage to pool enrollees
2 consistent with Section 12693.27 of this code and Section
3 14124.91 of the Welfare and Institutions Code.

4 SEC. 5. Section 14124.91 of the Welfare and Institutions
5 Code is amended to read:

6 14124.91. (a) The State Department of Health Services shall,
7 whenever it is cost-effective, pay the premium for third-party
8 health coverage for beneficiaries under this chapter. If the
9 third-party coverage is employer-based, the department shall
10 provide premium assistance as described in this section.

11 (b) The department shall implement a Medi-Cal premium
12 assistance program to reduce state costs and maximize federal
13 financial participation by providing health coverage to eligible
14 children and their parents through a combination of available
15 employer-based coverage and a wraparound benefit that covers
16 any gap between the employer-based coverage and the benefits
17 required by this chapter.

18 (c) The department shall do all of the following in
19 implementing the premium assistance program:

20 (1) Require eligible individuals with access to employer-based
21 coverage to enroll themselves and their family or both in the
22 available employer-based coverage.

23 (2) Promptly reimburse an eligible individual for his or her
24 share of premium under the employer-based coverage, minus any
25 share of cost required to be paid pursuant to this part.

26 (d) For purposes of this section, “employer-based coverage”
27 includes coverage available to an individual through the California
28 Health Insurance Pool.

29 (e) The State Department of Health Services shall, when a
30 beneficiary’s third-party health coverage would lapse due to loss
31 of employment or change in health status, lack of sufficient income
32 or financial resources, or any other reason, continue the health
33 coverage by paying the costs of continuation of group coverage
34 pursuant to federal law or converting from a group to an individual
35 plan, whenever it is cost-effective. Notwithstanding any other
36 provision of a contract or of law, the time period for the department
37 to exercise either of these options shall be 60 days from the date
38 of lapse of the policy.

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